

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER



Natwar M. Gandhi  
Chief Financial Officer

JUN 28 2004

The Honorable Anthony A. Williams  
Mayor of the District of Columbia  
1350 Pennsylvania Avenue, NW-6<sup>th</sup> Floor  
Washington, DC 20004

The Honorable Linda W. Cropp  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW - Suite 504  
Washington, DC 20004

Dear Mayor Williams and Chairman Cropp:

Following up on my letter dated May 27, 2004, I am pleased to certify revised revenue estimates for FY2004 and FY2005. The FY2005 baseline estimate is \$4,142.7 million, including tax and non-tax local source revenue and not including revenue enhancements or special purpose (dedicated) revenues. This is \$150.4 million greater than the baseline estimate made last February. The \$50 million in additional sales and use tax revenue identified in April is included in the \$150.4 million increase; income taxes and taxes on real estate transactions also are increased. The comparable change for FY2004 is \$131.6 million with \$30 million from the sales and use tax, about \$50 million increase in income taxes, \$38 million from real estate transactions, and \$10 million in miscellaneous revenues.

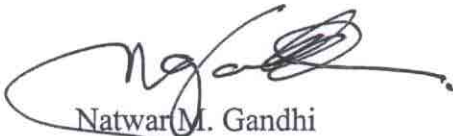
In the revised baseline estimates, the expected growth in general purpose tax revenue is 8.1 percent in FY2004 and 6.0 percent in FY2005. These rates outstrip the expected 5.7 percent and 5.3 percent growth in personal income in the respective years. The added revenue strength comes from all aspects of the real property market and from the hospitality industry.

Until very recently, the District's revenue generation did not look strong, with the exception of growth in sales and use tax receipts. By the end of May, the District had experienced a turnaround in collections of these taxes. For January-May in D.C., as compared to January-May a year earlier, Individual Income Tax Collections were 15.6 percent ahead, Corporate Franchise Tax Collections had grown 25.4 percent, sales taxes were up 9.6 percent, and deed taxes were up 61.8 percent. Total tax collections for the period were up 14.1 percent. Based on this very recent surge, and preceded by the increases elsewhere in the nation, we have revised the revenue estimates upward. Many states and cities have also revised their estimates.

Local Source, General Fund Revenue Estimate (\$ million)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Baseline (estimate of June 2004)	3,929.7	4,142.7	4,348.8	4,543.2	4,705.3
Growth: Baseline (est. of June 2004)	6.1%	5.4%	5.0%	4.5%	3.6%
Revenue Enhancements (consensus budget)		69.6	119.7	169.9	210.5
Special Purpose (Dedicated) Revenues (June 2004)	287.5	346.9	229.1	230.6	236.7
<b>Total General Fund Resources (June 2004)</b>	<b>4,217.2</b>	<b>4,559.2</b>	<b>4,697.6</b>	<b>4,943.7</b>	<b>5,152.5</b>
Growth Rate, TOTAL	9.1%	8.1%	3.0%	5.2%	4.2%
Baseline (estimate of February 2004)	3,798.1	3,992.3	4,178.2	4,339.2	4,480.2
DIFFERENCE: Baseline (June) – Baseline (February)	<b>131.6</b>	<b>150.4</b>	<b>170.6</b>	<b>204.0</b>	<b>225.1</b>

If you have any questions regarding this matter, please contact me at (202) 727-0065 or Dr. Julia Friedman at (202) 727-7658.

Sincerely,



Natwar M. Gandhi  
Chief Financial Officer

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